

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF PACIFICORP DBA UTAH POWER &)	CASE NO. PAC-E-05-10
LIGHT COMPANY FOR APPROVAL OF A)	
NEW DSM COST RECOVERY MECHANISM)	
AND ENHANCED ENERGY EFFICIENCY)	
PROGRAMS FOR COMMERCIAL,)	ORDER NO. 29976
INDUSTRIAL, AGRICULTURAL AND)	
<u>RESIDENTIAL CUSTOMERS</u>)	

On September 6, 2005, PacifiCorp dba Utah Power & Light Company (PacifiCorp; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of a suite of energy efficiency and demand-side management (DSM) programs for its commercial, industrial, agricultural, and residential customers in the State of Idaho. The Company also requested approval of an associated cost recovery mechanism and related deferred accounting authorization. The Commission on January 12, 2006 in Order No. 29952 provided regulatory support for the proposed funding mechanism, conditionally approved the Company's Application and invited the Company to file a program with a more equitable class distribution of energy efficiency and DSM program offerings.

In our Order No. 29952 we made the following findings:

This Commission continues to support the pursuit by PacifiCorp of cost effective DSM and energy efficiency programs. We find that cost effective DSM provides benefits to non-participants by reducing the overall cost of serving new load. It also benefits all Idaho customers by reducing Idaho's allocation of system power supply costs. We share, however, Staff's concern that the DSM direct program benefits to customer classes in this Application appear disproportionate to the DSM funds collected from each class. While an exact revenue to program cost relationship is not required, we find the imbalance of projected surcharge DSM revenue to be paid and programs available to the residential class under the Company's Application proposal to be unacceptable and inequitable. We approve the Application subject to the filing of a specific program proposal. We encourage the Company to develop and file this as quickly as possible. We note that the Company's existing energy efficiency and DSM programs will continue and will be funded as previously authorized and we anticipate that an expanded program will benefit all the Company's Idaho customers.

We note for the record that this Commission has previously approved the funding of Idaho Power and Avista's DSM and energy efficiency programs with surcharges and tariff riders. We are prepared to adopt a one and half percent (1.5%) tariff rider with no caps to fund PacifiCorp's energy efficiency and DSM programs once a program plan has been filed, reviewed and approved. We look forward to that filing and the Company's continued commitment to provide its electric customers with increasing DSM and energy efficiency options.

On February 3, 2006, PacifiCorp filed a Petition with the Commission requesting clarification of Order No. 29952 or in the alternative approval of an amended program implementation plan.

Petition for Clarification

In Order No. 29952 the Commission stated it was "prepared to adopt a one and one-half percent (1.5%) tariff rider with no caps to fund PacifiCorp's energy efficiency and DSM programs once a program plan has been filed, reviewed and approved." PacifiCorp seeks the following clarification:

1. Does the Commission's conditional approval extend to all new program offerings in the Company's Application, or merely to the 1.5% tariff rider?; and
2. Does the Commission's conditional approval allow the Company to initiate new programs with the effective date of January 12, 2006 and begin directing costs, as they occur, into a DSM balancing account for eventual recovery through the tariff rider mechanism once implemented?

Amended Program Implementation Plan

The Company in its Petition also presents for Commission consideration a "program plan" that describes the Company's proposed residential program offerings, provides an equitable application of tariff funds to all customer classes, and proposes a timeline for program implementation.

PacifiCorp's February 3 filing addresses two concerns identified in Commission Order No. 29952, (1) customer class equity and access to programs funded by the tariff rider and (2) a concern that the tariff rider funding might be insufficient to support the forecasted program cost. As reflected in the original Application, business programs were forecasted to consume approximately 87% of the available funding compared to 13% for residential programs. Residential customers were also forecasted to contribute 39% of the tariff rider revenue for

programs. Without program modification, PacifiCorp is concerned that it may not be able to comply with the Commission's request and still effectively manage the uncertainty and market acceptance of the programs and their associated costs. As a result, PacifiCorp recommends changes to the original implementation plan described in the Application filed September 6, 2005.

PacifiCorp in its filing submits the following amended implementation plan for Commission consideration:

1. Defer the implementation of the Energy FinAnswer program until a later date, relying more heavily on its companion program, FinAnswer Express, to address the needs of the commercial and industrial customer sectors.

Deferring the implementation of the Energy FinAnswer program, the Company contends, will free up sufficient funding to allow for the expedited introduction of the supplemental residential proposal, the Home Energy Efficiency Incentive program. This, the Company contends, will provide greater flexibility in managing the overall DSM program costs and reduce non-residential program costs to better address the disproportionate residential benefit concern.

PacifiCorp continues to believe, however, that the Energy FinAnswer program is a solid performer and that customers would find it helpful in enabling them to meet their energy efficiency objectives. PacifiCorp's plan is to defer, not eliminate, this program introduction into the Idaho market. The Company intends to revisit the possible introduction of the Energy FinAnswer program in approximately 12 months once it can better assess long-term funding needs based on the market performance of the remaining programs.

2. Add the tariff language "subject to funds availability" to business programs in order to better manage potential requests for services from the business sectors that, if left unchecked, could exceed forecasts and near-term funding availability.
3. Submit the final tariffs for the new and revised programs contained within the Application (less the Low Income Weatherization program tariff*) with effective dates of January 12, 2006. The revised program is now available to customers. The final tariffs to be submitted are:

Schedule 155 – Irrigation Efficiency Program

Schedule 115 – FinAnswer Express Program

Schedule 117 – See Ya Later Refrigerator Program

Schedules 120/122 – Commercial Energy Services Programs (closing these to new service)

*The Company notes that final drafts of the Low-Income Weatherization program, Schedule 21, were submitted February 1, 2006 with an effective date of January 12, 2006.

4. Accelerate the introduction of the residential Home Energy Efficiency Incentive program from July 2006 to May 2006. PacifiCorp anticipates filing the program for Commission review and approval in April 2006.
5. Defer the implementation of the 1.5% tariff rider from January 2006 to May 1 2006, to adjust for the delayed implementation of the overall program portfolio and to better correspond to the timeframe when the Home Energy Efficiency Incentive program will become available.

The Company's filing is accompanied by information on the costs and savings projections and suite of programs proposed in its amended implementation plan. Based on the proposed changes in the implementation plan over the first three years of the program portfolio, residential customers are forecasted to contribute approximately 39% of the dollars and receive 36% of the program dollars; business customers would contribute 61% of the dollars and are forecasted to receive 64% of program dollars. Spending over the three-year period is projected to average 1.55% of retail revenue, much closer to the 1.5% tariff rider collection rate conditionally approved by the Commission in Order No. 29952 and within a range the Company believes it can responsibly manage.

PacifiCorp in its filing provides the following supplemental information on the See Ya Later Refrigerator Program and the soon to be filed Residential Home Energy Efficiency Incentive Program.

See Ya Later Refrigerator Program

This program removes older, less efficient refrigerators and freezers from customer homes (and the electrical grid) and recycles them to insure they are not resold (and reconnected to the grid). Refrigerators available today use about 40% less energy than models manufactured as recently as 15 years ago, resulting in an average per unit savings of 1,000 kWh. According to Company survey data, 14% of Idaho's 48,000 residential customers have a second refrigerator. The same data indicates 72% have a stand-alone freezer. These customers may request See Ya Later Refrigerator program services by calling a toll-free number. The third-party implementation contractor handles all services related to picking up the equipment, recycling it and disbursing

the customer incentive payment. The proposed implementation contractor for Idaho is the same one that currently delivers the program in Utah (and has since June 2003), where 99% of participating customers reported they were "very satisfied" or "satisfied" with program services during the most recent evaluation. The vendor also began delivering the program within the Company's Washington service area in April 2005 and has been met with positive customer participation.

The benefit-to-cost ratios for this program are strong – more than \$3 in benefits are projected for each \$1 in program costs. These benefit-to-cost ratios are the highest of the proposed Idaho programs within any customer class. Third-party evaluation results for two program years in Utah demonstrate similar robust benefit-to-cost ratios. Other utilities that have run or are running refrigerator retirement programs include the Los Angeles Department of Water & Power, Southern California Edison, Pacific Gas & Electric Company, Nevada Power Company, Puget Sound Energy, and Snohomish County Public Utility District.

Home Energy Efficiency Incentive Program

This newly proposed program will provide a broad platform to deliver incentives for more energy efficient products and services to be installed or received by Idaho residential customers with a new or existing home. While the product and service mix is undergoing comprehensive analysis, broad categories under consideration include appliances, water heaters, lighting, heating and cooling equipment, windows, and insulation. This program is being designed to leverage marketing and delivery through local businesses and service providers to minimize costs and direct the largest share of the program budget to incentives. To this end, two incentive delivery options will be employed: (1) a retailer buy-down for lighting equipment, resulting in the retailer offering a lower price to the customer, and (2) a post-purchase delivery for all other types of equipment or services. Incentives for some measures may be offered seasonally to complement other offerings, while others will be offered year round. Proof of professional installation will be required where necessary to insure energy savings. Measure mix and specifications will be reviewed and adjusted on a regular basis to reflect sales volumes, codes and standards, and program impacts. The Home Energy Efficiency Incentive program is currently forecasted to spend over 40% of the three-year residential program spending estimates (for all residential programs combined) and contribute over 50% of the residential program energy savings (again, for all residential programs combined). The program is on a design path to be available to Idaho residential customers in May 2006, contingent on approval of the final program by the Commission.

Additional information on the Home Energy Efficiency Incentive program and other programs within the Company's amended implementation plan accompany the Company's filing.

Commission Findings

The Commission has reviewed the filings of record in Case No. PAC-E-05-10 including our prior final Order No. 29952 and the Company's February 3, 2006 filing. The Commission views the Company's February 3 filing as a compliance filing providing a more equitable class distribution of energy efficiency and DSM program offerings. While we have no reason to disagree with PacifiCorp's contention that its proposed Energy FinAnswer Incentives program is also a good program, we note that its estimated costs are proportionately greater per energy saved than for either the Home Energy Efficiency Incentive program or the See Ya Later Refrigerator program. We find that PacifiCorp's proposal to defer implementing the Energy FinAnswer Incentives program is reasonable based on its potential cost-effectiveness and the equity in distribution of programs among customer classes.

The Commission finds the amended DSM program implementation plan presented by PacifiCorp to be reasonable and acceptable. We note that PacifiCorp's amended Attachment 1, Table 1 estimates that the newly proposed Home Energy Efficiency Incentive program in its first two years will save more energy with slightly lower costs than its proposed See Ya Later Refrigerator program, which the Company says provides the highest benefit-to-cost results of any of its proposed programs. While it is obviously too early to assess cost-effectiveness of any of the proposed programs, we believe the programs chosen show promise, based on the Company's preliminary estimates. We find, based on Company projections, that DSM provides a more cost-effective alternative than new supply resources. We further find that customer participation in the DSM programs will favorably affect the Company's Idaho load requirements and jurisdictional allocation of resource costs to Idaho.

We authorize a 1.5% DSM tariff rider for all customer classes effective May 1, 2006, and direct the Company to collect same as a separate line item on customer bills. We authorize deferral of all post January 12, 2006 DSM program costs for both new, revised and existing DSM programs to DSM subaccounts that will track and facilitate audit of the expenditures.

We remind the Company that our approval of the amended DSM program offerings and tariff rider is not to be construed as a Commission finding that the Company's DSM expenditures and programs are or will be found to be reasonably and prudently incurred and executed. It is premature to make such a determination for programs that have not been implemented and expenses that have not yet been incurred. Although we fully expect the

Company to implement and competently execute its DSM programs, we cannot speculate at this time whether the Company will do so in a reasonable and prudent manner. We direct the Company to file an annual report with the Commission by May 1 of each year of its Idaho DSM activities, related revenues and expenditures, and program cost effectiveness. We expect that the Company may have new programs to implement or may, based on its experience, recommend changes in the programs implemented in this Order. We invite that type of analysis in the annual report, also.

The Commission will examine the distribution of DSM program dollars both within and among customer classes, the cost effectiveness of the programs and the reasonableness and prudence of the Company's program management and administrative costs during general rate cases and in all proceedings proposing an adjustment to the DSM tariff rider. Costs imprudently incurred will not be paid by customers.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over PacifiCorp dba Utah Power & Light Company, an electric utility, and the issues presented in Case No. PAC-E-05-10 pursuant to the authority granted under Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ORDER

In consideration of the foregoing and as more particularly described and qualified above, IT IS HEREBY ORDERED and the Commission does hereby approve the amended DSM program implementation plan submitted by PacifiCorp in Case No. PAC-E-05-10. In accordance with this amended plan the Company is directed to provide and file an expanded description of its Home Energy Efficiency Incentive Program on or prior to April 30, 2006. We authorize initiation of the other approved DSM programs described above with an effective date of January 12, 2006.

IT IS FURTHER ORDERED and we hereby authorize and direct the Company to defer and record all Idaho DSM program costs for both new, revised and existing DSM programs, as they occur after January 12, 2006, into DSM subaccounts to facilitate review of the balancing account for eventual recovery through a tariff rider mechanism once implemented.

IT IS FURTHER ORDERED and we hereby authorize implementation of a 1.5% DSM tariff rider surcharge for all Idaho tariff customer classes as a separate line item on customer bills for an effective date of May 1, 2006.

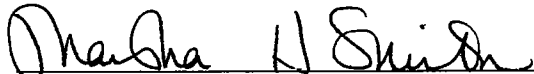
IT IS FURTHER ORDERED and the Company is directed to file with the Commission by May 1 of each year beginning May 1, 2007, an annual report of its Idaho DSM activities, related revenues and expenditures, and program cost effectiveness.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 2nd day of March 2006.




PAUL KJELLANDER, PRESIDENT



MARSHA H. SMITH, COMMISSIONER

Commissioner Hansen's Dissent is Attached
DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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COMMISSIONER DENNIS S. HANSEN
DISSENTING OPINION
CASE NO. PAC-E-05-10
ORDER NO. 29976

I am against approving Utah Power and Light Company's new DSM cost recovery mechanism and enhanced energy efficiency programs, which the Company hopes to fund with ratepayer dollars. I question the effectiveness of these proposed programs and the cost to the customer. The proposed DSM program for residential customers is a very poor energy efficiency program. For example, its "See You Later Refrigerator" program, costs Idaho ratepayers an estimated \$84,000 for PacifiCorp to manage, \$312,000 for a third party contractor to dispose of the refrigerators and \$121,000 paid to customers for their old refrigerators. This amounts to \$517,000 that the customers in southeastern Idaho will pay for refrigerator disposal.

When a refrigerator is turned in, the customer will receive \$40 for his old refrigerator, the third party will require \$120 to pick it up and PacifiCorp will add its charge to manage the program no matter how many refrigerators are to be recycled. The cost could range from \$187 to over \$300 per refrigerator, which is an outrageous amount for ratepayers to pay for disposal of an old refrigerator.

That amount is based on the projected number of 2,600 refrigerators that PacifiCorp estimates could be recycled. In my opinion, a more realistic number would be as low as 500. However, if the projected number 2,600 is not reached, PacifiCorp will still receive \$84,000 for managing the program and the customer will still pay 1.5 percent of their total electricity bill into this fund. If 500 refrigerators and freezers are recycled, then the total program cost would likely be about \$160,000 rather than the estimated \$517,000. However, PacifiCorp will still collect the 1.5 percent from the customer.

Another point to remember is the Company has no monetary investment in making these programs functional. Instead, the burden falls to the ratepayer. Further, the Company states that most cost estimates are not dependent upon how many appliances are recycled. It will cost \$84,000 for PacifiCorp to manage the program regardless of the amount of refrigerators that are recycled.

Even though PacifiCorp is in the process of seeking additional or changed DSM resources for the residential as well as other customer classes through a RFP process, I agree

with the opinion of the Staff which stated “we are not able to state that the currently proposed program portfolio, let alone a modified one, will be prudently managed or that it will result in cost effective savings.”

I cannot, in good conscience, support an additional 1.5 percent increase (\$3.6 million over two years) to Idaho customers who are already burdened with record high utility bills resulting from the current huge increases in energy costs. Also, I cannot support this when the record leads me to believe that it is questionable whether the program will be cost effective and efficient or whether it will be throwing money into a black hole with the idea that if things don’t work out later, the money could be retrieved and returned to the ratepayers or used for other projects not yet approved. This proposed program is seriously flawed with no guarantees or assurance that it will be prudently managed or result in cost effective savings.

I am concerned that with no cap on the 1.5 percent increase to a customer’s total bill, this will be a tremendous burden on residential customers with total electric homes as well as irrigation customers with pumping operations. I am in favor of a well-planned DSM program that will ensure enthusiasm and commitment to quality rather than compliance behavior. I believe that given more time, PacifiCorp could develop a plan that has a greater degree of efficiency.


DENNIS S. HANSEN, COMMISSIONER